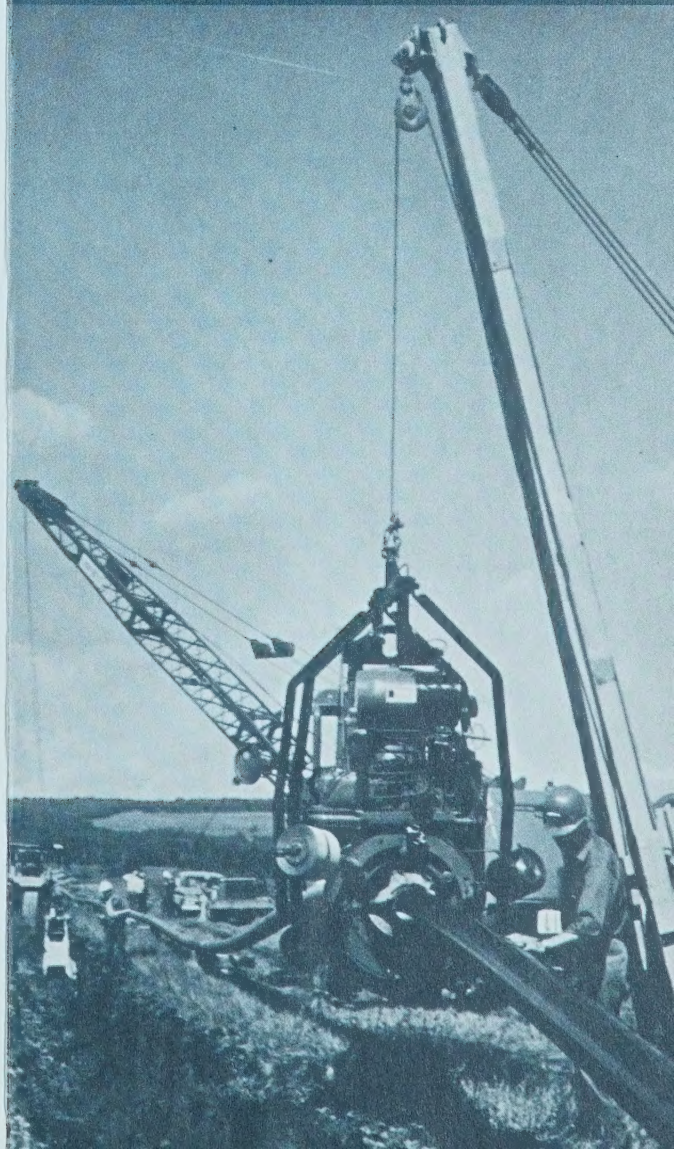


AR36

DOME
PETROLEUM
LIMITED

INTERIM REPORT
DEC. 31, 1970



TO THE SHAREHOLDERS:

The highlights of the last quarter of 1970 were as follows:

- A farmout was completed with Columbia Gas Development Corporation whereby Columbia will spend, over the next three years, a total of \$30 million in exploration and land acquisitions to earn a 7½% interest in all of Dome's non-producing oil and gas rights which currently total approximately 17 million net acres. A subsequent \$30 million in the \$60 million exploration and land acquisition program will be financed by Dome. Dome will manage the joint venture and will retain 92½% interest in the farm-out lands, in new lands acquired for the joint account and in all reserves of oil and gas discovered.

- Dome purchased for cash 100% of the shares and assets of Producers Pipelines Ltd. and its subsidiary, Westspur Pipe Line Company. Producers operates over 1,200 miles of crude oil gathering and transmission lines in southeastern Saskatchewan with an average daily throughput in excess of 140,000 barrels per day. Dome operates 310 miles of gas gathering lines in the same area and their integration with Producers' operations should effect greater efficiency.

- A major gas discovery was made by Panarctic Oils Ltd. on King Christian Island in the Canadian Arctic Islands. Dome holds a 4.06% working interest in Panarctic plus 100% interest in 190,228 acres partially located on the flank of the King Christian gas structure and also on a highly potential and similar structure immediately to the west.

- Unaudited financial results for 1970 as compared to 1969 were as follows:

- Gross income increased to \$28,450,000 from \$23,592,000.
- Cash flow (after interest) increased to \$13,000,000 from \$12,776,000.
- Net income including extraordinary items increased to \$9,900,000 from \$8,387,000.

Extraordinary items for 1970 included \$685,000 in respect to sale of marketable securities and \$1,392,000 through recovery of income tax paid by subsidiaries. Common shares outstanding at December 31, 1970 were 3,398,114.

- Production of oil, natural gas liquids and oil equivalent of gas averaged 25,510 net barrels per day compared to 24,079 net barrels per day for 1969.

- During 1970 Dome participated either directly or indirectly (by farmouts) in drilling a total of 63 exploratory wells which resulted in 12 gas discoveries and one oil discovery. Of these exploratory tests, 51 were drilled without expenditure by your Company.

- Land holdings at December 31, 1970, totalled 22,256,000 gross acres (17,209,000 net acres) of oil and gas rights compared with 23,778,000 gross acres (19,127,000 net acres) at the end of 1969.

- The construction of the first phase of Dome's integrated natural gas liquids system was completed and should be on full production in February, 1971. Construction of the Dome - TransCanada 1.5 billion cubic foot per day extraction plant at Empress, Alberta, was commenced and should be on stream by the end of 1971. Increased prices of liquefied petroleum gas products should enhance the economics of this NGL system.

C. W. MICHEL,
Chairman of the Board.

J. P. GALLAGHER,
President.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six Months Ended June 30, 1970 and 1969

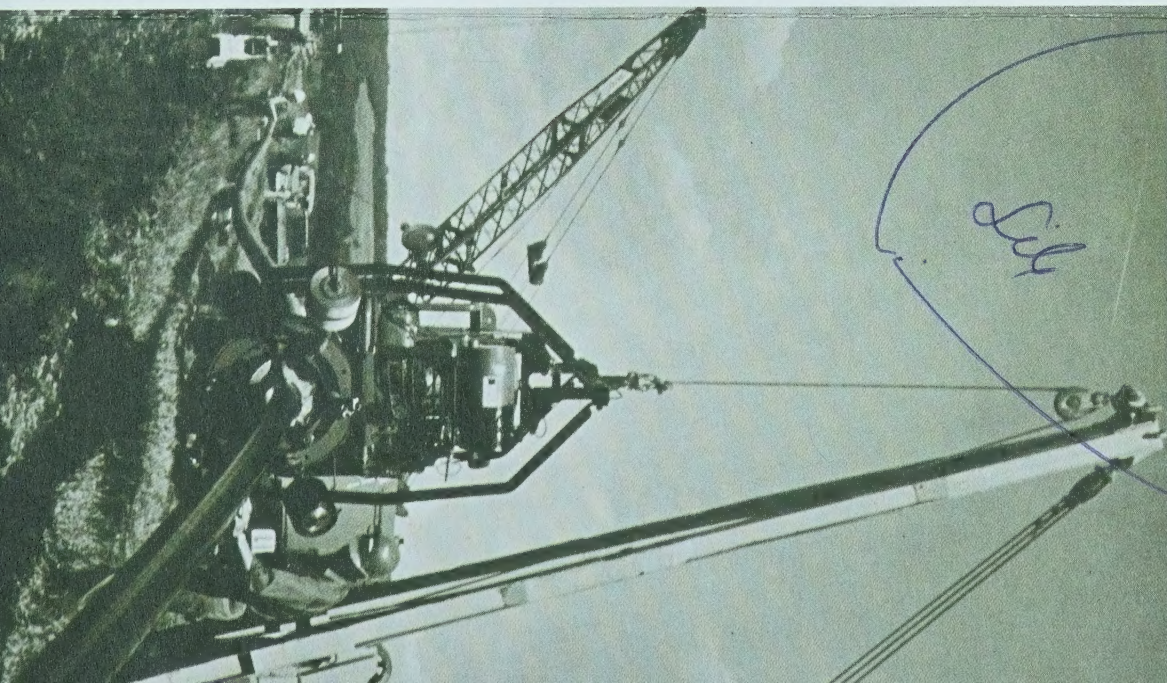
Source of Funds:	1970	1969
Cash income from operations	\$ 6,740,000	\$ 6,601,000
Proceeds from bank loans	10,009,000	1,500,000
Proceeds from issues of capital stock	126,000	160,000
	<u>16,875,000</u>	<u>8,261,000</u>
Application of Funds:		
Expenditures for property, plant and equipment	9,560,000	11,233,000
Reduction of long-term debt	1,793,000	4,852,000
Increase in other assets	101,000	252,000
	<u>11,454,000</u>	<u>16,337,000</u>
Increase (Decrease) In Working Capital	<u>\$ 5,421,000</u>	<u>\$ (8,076,000)</u>

THIS STATEMENT IS UNAUDITED.

DOME
 PETROLEUM
 LIMITED

INTERIM REPORT
 JUNE 30, 1970

SLH



Net income in the first half of 1970 remained at approximately the same level as last year, notwithstanding an 8% increase in gross income. Interest rates and operating expenses continued to rise abnormally, but a moderating trend is now evident. Second half earnings should increase with the start-up of the Sarnia fractionation plant.

Production of oil, natural gas liquids and oil equivalent of gas increased to 24,513 net barrels per day during the first six months of 1970 compared with 24,112 net barrels per day for the same period in 1969. This improvement in production, together with an increase in gas and product prices, pushed first half gross income from \$11,963,000 in 1969 to \$12,914,000 in 1970. During the same period, cash flow increased from \$6,601,000 to \$6,740,000 while net profit increased from \$4,431,000 to \$4,444,000.

Land holdings as of June 30, 1970, totaled 22,775,000 gross acres (17,645,000 net acres) compared with 23,778,000 gross acres (19,127,000 net acres) as of December 31, 1969. The reduction in net acreage resulted from the assignment of interests to other companies under farmout agreements.

The integrated liquefied petroleum gas processing and distribution system went on stream in June, 1970, with the partial start-up of the Cochrane extraction plant. Several batches of natural gas liquids have reached Sarnia through the Interprovincial Pipe Line system, and production of fractionated product from the Sarnia plant began in July.

The Alberta Oil and Gas Conservation Board has granted approval to increase the

CONSOLIDATED STATEMENT OF INCOME

Six Months Ended June 30, 1970 and 1969

	1970	1969
INCOME:		
Oil and gas sales after royalties	\$ 8,414,000	\$ 7,945,000
Propane and other product sales	3,987,000	3,404,000
Other income	513,000	614,000
	<u>12,914,000</u>	<u>11,963,000</u>
DEDUCT:		
Operating expenses	2,932,000	2,665,000
Cost of propane and other products sold	1,403,000	1,091,000
General and administrative expenses	301,000	254,000
Interest	1,538,000	1,352,000
	<u>6,174,000</u>	<u>5,362,000</u>
CASH FLOW	<u>6,740,000</u>	<u>6,601,000</u>
DEDUCT:		
Depletion	1,180,000	1,130,000
Depreciation	1,084,000	998,000
Amortization	32,000	42,000
	<u>2,296,000</u>	<u>2,170,000</u>
NET INCOME FOR THE PERIOD	<u>\$ 4,444,000</u>	<u>\$ 4,431,000</u>
INCOME PER SHARE FOR SIX MONTHS ENDED JUNE 30:		
Outstanding shares	3,379,550	3,366,637
Gross income	\$3.82	\$3.55
Cash flow	1.99	1.96
Net income	<u>1.32</u>	<u>1.32</u>

THIS STATEMENT IS UNAUDITED.

capacity of the Dome - TransCanada extraction plant at Empress, Alberta, from 1.0 to 1.5 billion cubic feet per day and to extract ethane in addition to heavier gas liquids. Construction of the Dome-operated plant has commenced, with completion scheduled for early 1972.

During the first half of 1970, three test wells were being drilled in the Arctic Islands by Panarctic Oils Ltd. Panarctic Hoodoo Dome on Ellef Ringnes Island is now nearing target depth of 14,000 feet after encountering several non-commercial gas shows. Although this well will probably be abandoned, the results are encouraging in that they demonstrate the presence of live hydrocarbons. Because of the size and complexity of the Hoodoo Dome structure, several wells will be needed to test its potential.

Panarctic earned a 67% interest in a 1,304,000-acre farmout block by drilling the Panarctic Towson Point well on northeastern Melville Island to a depth of 5,100 feet. The well penetrated zones of oil-stained porosity before it was abandoned. The Panarctic Hecla well, also on northeastern Melville Island, was drilling below 8,000 feet in early July.

In the deep reef Alberta Foothills gas play, seven exploratory tests are in progress on Dome-interest acreage. A 13,500-foot well in the Lobley area is being completed as a gas producer, while at Kakwa and Lovett drilling is continuing after encountering high pressure gas blows. Four other deep tests at Fallen Timber, Sterco, Ferrier and Ram River are progressing satisfactorily. Dome's acreage at Ram River is located approximately two miles from a major gas discovery recently announced by the Banff - Aquitaine group.